

Authoritarian neoliberalism and the instrumentalization of the banking sector in Turkey and Hungary

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Fulya Apaydin¹ , Dora Piroska² and M. Kerem Coban^{3,4} 

Abstract

This paper studies the evolution of the domestic banking sector in Hungary and Turkey where Viktor Orban and Recep Tayyip Erdogan have intervened to politically control credit allocation. We argue that both leaders have instrumentalized the banking sector to serve their political needs rather than following a developmentalist agenda under authoritarian neoliberalism. This occurred through two distinct patterns following the 2008 Global Financial Crisis in an attempt to ensure their political survival: while Orban intervened in the banking sector to secure partisan access to consumption, Erdogan did so to ensure partisan business access to cheap credit. These policy preferences reveal additional components of an autocrat's toolkit for political survival, which are strongly influenced by the constellation of dominant social bloc interests and the relative position of their national economies within the overall global financial hierarchy.

Keywords

authoritarian neoliberalism, banking, instrumentalization, Hungary, Turkey

Introduction

Autocratization is a process that typically involves the gradual erosion of democratic norms, institutions, and practices rather than a sudden collapse. Aspiring autocrats often seek to maintain a façade of democratic legitimacy to avoid domestic backlash and international condemnation, making tactical concessions such as holding elections or tolerating enclaves with freedoms. However, we know less about the economic policy instruments at the disposal of leaders in autocratizing settings who have implemented liberal market reforms and the conditions under which

¹Institut Barcelona d'Estudis Internacionals, Barcelona, Spain

²Department of International Relations, Central European University, Wien, Austria

³School of Finance and Management, SOAS, University of London, UK

⁴Kadir Has University, Istanbul, Turkey

Corresponding author:

Fulya Apaydin, Institut Barcelona d'Estudis Internacionals, Carrer de Ramon Trias Fargas 25-27, 08005 Barcelona, Spain.

Email: fapaydin@ibe.org

these policy choices enable them to consolidate their rule and survive even after a major economic turmoil.

In this paper, we show that the instrumentalization of the banking sector for political survival is one such strategy that prioritizes the partisan interests of the executive. Specifically, we argue that autocrats are more likely to intervene in the decision-making processes of public and private banks in order to address the funding needs of their core constituency following a crisis. To unpack this in a comparative perspective, we focus on Turkey and Hungary for three reasons. First, the two countries in the periphery of the value chains within or adjacent to the European Union (EU), and this peripheral location make these countries vulnerable to EU's financial and trade policies. While Hungary is a full EU member and Turkey remains a long-standing candidate, Turkey's economic integration with the EU is also quite deep, especially in trade, capital flows, and financial exposure due to its Customs Union agreement, as well as its dependence on European banks and investors. Second, they have a subordinate position in the international financial architecture with shallow capital markets and were adversely affected by the Global Financial Crisis (GFC). What makes the EU context distinctive from other core-periphery dynamics (e.g. IMF imposed conditionalities) is its dual imperative of market liberalization and democratic institutional alignment. Autocratizing regimes like Hungary and Turkey cannot easily dismantle democratic institutions without jeopardizing financial ties, which makes the subtle manipulation via financial tools a preferred strategy for authoritarian consolidation. Finally, from all the cases where these two structural constraints are present, authoritarian politics went furthest in establishing itself in government in these two cases. Therefore, these two countries allow us to explore how the authoritarian leaders have frequently meddled with the credit allocation processes following the crisis and thereby paved the way to an authoritarian neoliberal consolidation in each setting. Given this backdrop, we ask: *why did autocratizing regimes in Turkey and Hungary instrumentalize their economic institutions under crisis conditions, and what does this reveal about the political trade-offs inherent in late neoliberalism?*¹

The recent deepening of neoliberalism in Emerging Capitalist Economies (ECEs) has transformed the role of banks, as experienced in countries like Hungary and Turkey, where they are instrumentalized for political purposes to ensure the survival of authoritarian leaders while decoupling from global markets amidst growing threats to their rule within the context of crisis dynamics. In a broader sense, both countries have moved towards authoritarian neoliberalism (Bruff, 2014) under structural constraints that prevent governments from replicating the earlier model of East Asian developmentalist states.² While these cases highlight key mechanisms linking global financial integration and political survival strategies, we do not claim these patterns are universally applicable to all ECEs. Instead, they represent a specific subset of cases where crisis dynamics shaped by a particular set of domestic and global economic conditions paved the way to policy choices that align with an authoritarian turn. While authoritarian neoliberalism has emerged as a prominent response in both cases, it is not the inevitable trajectory for all ECEs. Particularly in contexts where civil society forces (e.g. unions, advocacy groups) are strong, organized, and capable of mobilizing effectively to hold the dominant social bloc accountable, the road to authoritarian neoliberalism is not so straightforward. In particular, markets that are deeply embedded in social relations are less likely to produce the dislocations and inequalities associated with dynamics of disembeddedness, which could lead to social breakdowns and authoritarian outcomes – and in some cases, fascism. When civil society is well organized and able to coordinate its strategies, it can pressure policymakers and economic elites to temper financialization with regulatory frameworks, social protections, and redistribution mechanisms that align market activity with broader societal needs. This dynamic re-embedding of markets could limit the unchecked power of financial actors, preventing the erosion of social cohesion that fuels authoritarian responses. Indeed, some countries,

such as Poland, have managed to turn around the autocratization process under similar external economic pressures (Markowski 2024). Others, like Malaysia, have adopted hybrid approaches, blending elements of neoliberalism with more selectively liberal political frameworks (Fernandez 2024).

The propensity for an eventual turn to authoritarian neoliberalism appears higher under three conditions: prolonged economic crises that undermine regime legitimacy; fragmented or polarized social blocs that limit the formation of broad-based coalitions; and weakened institutional checks and balances that enable executive aggrandizement.³ In Hungary, the combination of EU-enforced austerity, lack of coordination among civil society organizations, and Fidesz's control over the regulatory environment created a fertile ground for consolidating Orban's power. Similarly, in Turkey, the taper tantrum turbulence in 2013, together with a divided opposition and Erdogan's executive aggrandizement facilitated banking sector instrumentalization for partisan ends. Alternative explanations for these trajectories, such as legacies of authoritarian rule or weak civic culture provide insufficient explanations and do not fully account for the political drivers behind banking sector instrumentalization. Instead, our analysis emphasizes the agency of political elites and their interaction with social blocs in shaping these interventions. Specifically, the Hungarian and the Turkish cases reveal how instrumentalization advances as the regime politicizes the regulatory policy space through 'noisy politics' (Culpepper, 2021), captures the banking sector through clientelist arrangements and/or uses public banks to control credit allocation.

Relying on elite interviews, analysis of media reports and official documents, we identify two different modes of instrumentalization of the banking sector in authoritarian neoliberal regimes. In Hungary, reliance on foreign direct investment (FDI)-driven growth reduced the importance of domestic banks in financing industrial development, allowing the Orban government to instrumentalize banks primarily to support household consumption (Ban and Bohle 2021). Under a neoliberal regulatory framework that weakened democratic oversight, the banks were swiftly captured through authoritarian law-making to prop up the declining consumer power of Fidesz supporters and compensate for EU-enforced austerity following the sovereign debt crisis. This strategy served to offset the socioeconomic effects of austerity and maintain electoral support among middle- and working-class voters aligned with Fidesz. It was also instrumental in channeling public funds to Orban-supporting businesses. In contrast, Turkey's dependence on short-term capital inflows went hand-in-hand with the centrality of banks in economic growth. The Erdogan government circumvented this dependency to channel cheap credit to partisan businesses, solidifying the support of a narrower coalition of economic elites crucial for the *Adalet ve Kalkınma Partisi* (AKP)'s electoral dominance. Thus, the instrumentalization of banks accelerated after the 2008 crisis and the post-2013 'taper tantrum' period as Erdogan sought to fend off internal criticism within the ruling party and sustain external capital flows with easier domestic access to credit to serve the interests of a narrower social bloc that prioritized partisan business interests for an electoral win.

Existing debates and the analytical framework

Recent literature that problematizes the global hierarchy of finance reveals that peripheral economies have become increasingly reliant on foreign capital inflows and integrated into global financial markets under unequal conditions (Pistor, 2017). Importantly, ECEs command lesser bargaining power in global production networks as they provide cheap inputs (Bonizzi et al., 2020) and trade using Advanced Capitalist Economies (ACEs) currencies over which they have no control

(Alami et al., 2023). These studies imply that uneven integration to global financial hierarchy in the periphery has led to growing inequality, political and economic instability, and uneven development (Becker et al., 2010; Kaltenbrunner and Paineira, 2018; Piroska 2018).

The negative impact of these hierarchies is either directly transposed when the arrival of international financial investors crowds out productive industries and/or indirectly felt due to the spillover effects of global market volatilities (e.g. higher cost of borrowing). In some cases, foreign investors prioritize sectors that yield quick and high returns, such as real estate, retail, or speculative financial instruments. In other cases, FDI can have a crowding out effect by re-directing critical resources, such as credit and labour, away from sectors with greater productivity potential (Magbonde et al., 2025). Moreover, ECEs face additional limitations due to the currency hierarchy that privileges advanced economy currencies with the US dollar occupying a privileged position (Fritz et al., 2018; Piroska 2018). At the macroeconomic level, reliance on foreign capital inflows often leads to exchange rate volatility where appreciating currencies, fuelled by sudden inflows, can make exports less competitive globally, disadvantaging domestic industries that rely on external markets. Conversely, sudden outflows can cause sharp depreciations, raising the cost of imported inputs critical for production, thus creating economic instability that undermines industrial growth. These findings reveal that growth in peripheral economies is constrained by multiple factors, which may be further worsened due to balance of payments constraints (Thirlwall, 2019).

Under these circumstances, some ECEs are more constrained than others to implement policies that align with the logic of developmentalist states depending on their level of exposure to global market volatilities. Rather than a strong government role in economic planning, some ECE governments under late neoliberalism are more likely to embrace policies that ensure political stability and control, especially when the risk of political failure is imminent for the incumbent due to a conflict induced by crisis dynamics. Unlike authoritarian developmentalist states of the 20th century, ECEs, where democracy is contested, turn to neoliberal authoritarianism, where long-term economic planning is often sacrificed in the pursuit of the incumbent's political survival. The outcome is a short-term-oriented growth regime where economic policies are designed ad hoc to provide benefits to a narrower group of political supporters.

Initially formulated by Ian Bruff (2014), the concept of neoliberal authoritarianism reveals how neoliberalism adapts to economic crises and popular resistance by blending economic liberalization with authoritarian governance strategies, where democratic oversight of liberal institutions and economic policies is diminished. After the 2008 GFC, the response to the Eurozone crisis prioritized neoliberal imperatives such as fiscal discipline, imposed on debtor states like Greece. These measures curtailed democratic decision-making in Southern Europe, prioritizing financial stability over social welfare and national sovereignty. Beyond advanced economies to peripheral European states, external pressures from institutions like the EU and the International Monetary Fund (IMF) have been instrumental in enforcing neoliberal reforms. In Southern European countries, austerity and structural adjustment programs bypassed democratic processes. Although Bruff's original analysis focuses on advanced economies, later work reveals the extension of this policy to post-socialist and ECEs such as Turkey or Slovenia as well (Stubbs and Lendvai-Bainton 2020; Tansel 2018).

The strategies of market intervention observed in autocratizing settings also resonate with broader theories of authoritarian durability, which highlight the importance of economic crisis management and coalition maintenance (Apaydin 2024; Apaydin and Coban 2023; Apaydin and Jordana 2023). More recent studies (e.g. Karas and Donmez 2023) point out the role of global pressures and show how financialization internalizes class and political conflicts within state

structures, exacerbating accumulation and legitimation crises facilitating an authoritarian rule. However, while Karas and Donmez focus on the macroeconomic constraints shaping monetary policy and illustrate the contradictions of authoritarian financialization as governments rely on credit-based strategies to sustain rentier social contracts, the micro-level mechanisms of banking sector instrumentalization and their role in sustaining partisan social blocs are less explored. This calls for a complementary framework that explores instrumental mechanisms of domestic financial manipulation that underpin authoritarian regime durability.

Authoritarian neoliberal regimes and developmentalist states represent two distinct paradigms in governance, economic policy, and the role of the state in shaping national development. When the risk of political failure for the incumbent is imminent in settings where democratic principles are contested, banks can turn into critical instruments for consolidating power, ensuring loyalty, and reorganizing the supporting social bloc divided by multiple crises. While East Asian developmentalist states have historically focused on strategic economic planning and intervention, authoritarian neoliberal regimes selectively prioritize market-oriented policies for political consolidation. Partisan interests, short-term gains, and a contradictory reliance on market mechanisms characterize the divergence between these two models. Therefore, market intervention under neoliberal authoritarianism and developmentalist states differ around at least three key dimensions: (1) temporal orientation (short-term vs long-term goals), (2) primary beneficiaries (partisan coalitions vs strategic industries), and (3) policy mechanisms (ad hoc manipulation vs planned investments). Figure 1 below provides a comparative overview.

Even in liberal democracies, politicians pressure bank lending and impose regulatory/supervisory forbearance around elections. Findings reveal that government-owned banks are likely to increase lending in election years (Jackowicz et al., 2013). Earlier research also shows that German savings banks have reduced branch closures and increased spending and lending around local elections under political influence (Vins, 2008). In the US, banks headquartered in states where politicians sit on relevant congressional committees have faced a lower likelihood of enforcement actions (Papadimitri et al., 2021).

	Market Intervention under Neoliberal Authoritarianism	Market Intervention under Authoritarian Developmentalist States
Temporal Orientation	Short-term electoral or partisan gains	Long-term strategic economic planning
Primary Beneficiaries	Partisan social blocs	Strategic industries or sectors
Policy Mechanisms	Ad-hoc manipulation of credit allocation	Targeted investments in high-value industries
Examples	Turkey (2013-), Hungary (2010-)	South Korea (1960-95), Singapore (1959-1990)

Figure 1. Comparative typology of intervention strategies. Source: Authors.

In liberal democratic regimes, the timing of political interference in bank operations tends to be more predictable around the elections. Specifically, the incumbent is more inclined to pressure banks strategically to achieve favourable economic outcomes that can sway voters in their favour in the short term. However, in ECEs that are more frequently exposed to global market volatilities, political control over banks becomes not only a short-term concern but also a central objective for the survival of the incumbent due to threats imposed by multiple crises under late neoliberalism. Under these circumstances, the executive is more likely to intervene beyond the regular election cycles and political control over monetary institutions becomes a permanent part of the incumbent's toolkit for consolidating power. By shaping the lending policies, interest rates, and allocation of credit within the economy, the executive can exert considerable influence over the financial market. In this way, the concentration of power further diminishes the checks and balances that would otherwise mitigate excessive interference in bank operations.

The policy choices regarding how to instrumentalize banks have been strongly influenced by the structural features of how the national economies are integrated into global markets, as well as the composition and interests of the social bloc that supports the incumbent regime (Apaydin 2024; Apaydin and Coban 2023). Due to the lasting legacy of these decisions, much of the economic upgrading relied on foreign capital in the form of foreign direct investment or portfolio inflows (Nölke and Vliegenthart, 2009; Scheiring, 2021). Yet, where Multi-national Companies (MNCs) play a greater role in economic growth, as is the case in Hungary, banks have gradually lost their critical importance to finance investments, as alternative forms of finance (such as intra-firm financing) gained greater prominence. On the other hand, in settings where growth has predominantly relied on short-term capital inflows, as in the case of Turkey, banks were more likely to retain their central position in financing investment and growth. Under these circumstances, politicians have found new opportunities to instrumentalize banks to ensure partisan access to consumption following a major crisis.

Political leaders rely on a coalition of various societal groups (e.g. businesses, labour unions, rural or urban populations, and other influential stakeholders). Thus, the demands of the dominant social bloc play a pivotal role in shaping the government's policy towards banks. Much of the literature on growth models has focused on democratic regimes, where social bloc composition tends to be broader and more inclusive. In contrast, autocratizing regimes often rely on narrower coalitions, where incumbents that seek to concentrate power in the executive craft more targeted economic interventions designed to meet the specific needs of a narrower coalition. Unlike democracies, where growth strategies need broader-based legitimacy, these systems use economic institutions to maintain control by selectively allocating resources and privileges to ensure the loyalty of their core supporters. For example, if the incumbent enjoys substantial support from businesses that represent politically important sectors that depend on short-term capital inflows, the government is more likely to prioritize policies that favour easier access to credit for these groups. This approach is driven to increase partisan business profitability while encouraging investment, which is expected, in turn, to facilitate economic growth and job creation that selectively benefits these sectors. In such cases, the government may interfere with banking operations directly by dictating regulations or indirectly via the central bank's interest rate policy to tailor lending practices in a manner that aligns with the preferences of partisan economic actors. On the other hand, where FDI is the primary mechanism of capital inflows, the government may be inclined to focus on policies that enhance consumer protections and access to low-cost housing loans or consumer credit programs, and instrumentalize banks to allocate credit to partisan middle-

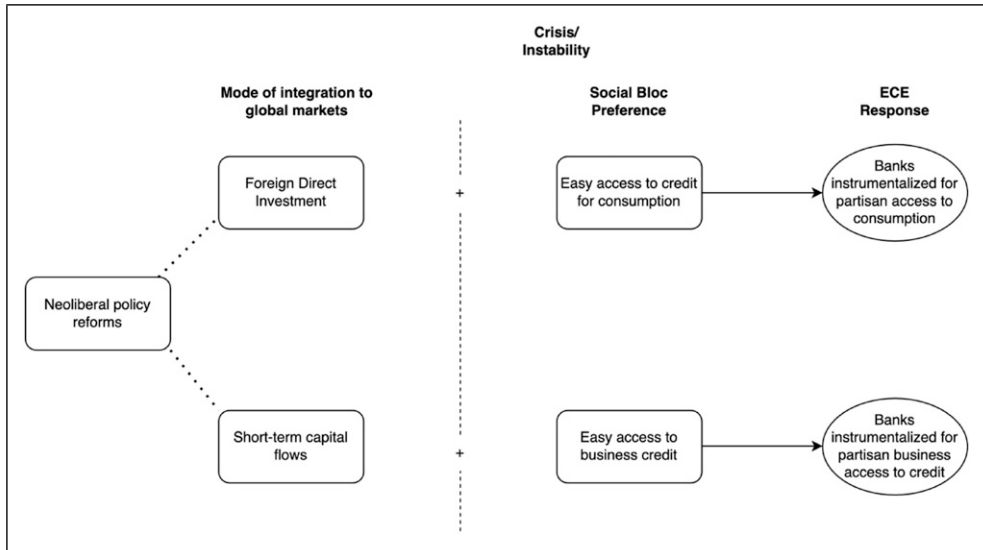


Figure 2. Summary of theoretical expectations in autocratizing settings with fragmented civil society.

and working-class segments of the population. A visual summary of our theoretical expectations is presented below in [Figure 2](#).

Our contribution lies in advancing the existing debates on autocratization by theorizing the instrumentalization of the banking sector as a distinct policy mechanism for political survival in peripheral settings that are unequally integrated into global financial networks. While existing studies emphasize macroeconomic constraints and elite coalition dynamics under late neo-liberalism, authoritarian leaders intervene in both public and private banking institutions not only to manage economic crises but also to reorganize social blocs. This focus on the micro-level manipulation of credit allocation provides a missing link between financial sector governance and authoritarian regime durability. Crucially, the comparative analysis of Hungary and Turkey reveals how the growth policy dynamics and the composition of the ruling coalition shape the executive's ability to convert economic instability into political consolidation. The comparative summary in [Figure 3](#) below further reveals that the role of economic institutions in sustaining authoritarian rule through targeted redistribution and patronage is critical in neoliberal authoritarian regimes, albeit in varying ways.

The instrumentalization of banks in Turkey

The systemic banking crisis in 2000–01 was a watershed moment for the Turkish economy. The crisis accelerated neoliberal reforms (e.g. fiscal austerity, privatization, and institutional reforms) and its short-term capital flow dependence ([Orhangazi and Yeldan, 2023](#)). In this context, the crisis has been critical for the Turkish banking sector for three reasons. First, politically discretionary regulation and supervision setting⁴ paved the way for the systemic banking crisis. The crisis resulted in a consolidated sector where foreign banks constituted more than 50% of the total number of commercial banks. Second, the establishment of the de jure autonomous Banking Regulation and Supervision Agency (hereafter BRSA), and de jure autonomy given to the Central Bank of Republic of Turkey (CBRT) aimed to depoliticize regulatory and monetary policies ([Atiyas, 2012](#)). Third,

Country	Mode of Integration	Social Bloc Preference	Authoritarian Neoliberal Responses
Hungary	FDI-Dependent	Households: Debt relief for FX-denominated mortgage loans; support for growing housing and consumption demand. SMEs: Access to abundant credit to maintain operations. Large Businesses: Push for rapid growth to form a new capitalist elite.	Transform the central bank into a development bank to exploit low democratic scrutiny for providing cheap credit to SMEs and Urban-linked businesses. Use parliamentary supermajority to pass decree-like banking laws, loosen household debt burdens, and re-nationalize foreign banks. Replace fiscal transfers with consumption and housing loans provided by commercial banks.
Turkey	Short-term Capital Inflow-Dependent	SMEs: Ensure easy access to affordable local credit. Households: Dependence on credit for private consumption. Conglomerates: Depend on external financing but restructure debt post-currency crisis.	Subsidize Treasury-backed credit and export loans to SMEs. Support households with long-term housing loans and cheap credit during crises like COVID-19. Provide export loans and restructure corporate debt for conglomerates after the 2018 currency crisis.

Figure 3. Authoritarian neoliberal responses: Conditioned on modes of integration and social bloc preferences.

while the banking sector primarily financed public budget deficit before the crisis (Arıcanlı and Rodrik, 1990), austerity led the sector to look for alternative strategies such as financing businesses (in particular small- and medium-sized enterprises (SMEs), and households) after 2002.⁵

As a result of these reforms, Turkey attracted capital inflows to finance economic growth and offered lucrative speculative rents to the investors. Banks borrowed at lower interest rates in international markets and lent at higher levels locally, which financed private consumption and the private sector.⁶ Consequently, credit to the private sector doubled in percentage points between 2001 and 2008 (Orhangazi and Yeldan, 2023: 474). Cheaper foreign loan recycling in the domestic market was further stimulated thanks to the mortgage law of 2007, which enabled households to access housing loans with longer maturity. This benefited the construction sector by supplying the rise in demand for housing (Yeşilbağ, 2020).

This period was extended following the GFC, when monetary expansion in ACEs triggered another wave of capital inflows to developing countries, including Turkey (Akyuz, 2017). Banks were positioned between foreign capital and the domestic market,⁷ which the CBRT's reserves policy (i.e. reserve option mechanism) facilitated, as it replaced Turkish lira reserve requirements with foreign loans gathered at lower interest rates (Coban 2022). This policy allowed banks excess funds, including foreign currency loans that were allocated to private consumption, the construction boom, and the SMEs (Apaydin and Coban 2023; Orhangazi and Yeldan, 2023). During this period, AKP sought to consolidate power through successive elections (Sozen, 2020); and the social bloc (e.g. AKP, SMEs, construction firms, and conglomerates) has managed to establish its hegemony (Bugra and Savaskan, 2014). However, when the Fed announced the 'taper tantrum' in mid-2013, the fragilities of the credit-led growth model were exposed to a sudden stop and the reversal of short-

term capital inflows (Apaydin and Coban 2023), which triggered a currency crisis (Orhangazi and Yeldan, 2023), whereby there was a significant shift in the policy-making priorities of the government after this period.

Instrumentalization and social bloc preferences shift the course: 2013–2018

As capital inflows slowed down in the post-2013 period, the pressure to mobilize local savings and sources of credit to achieve higher economic growth rates intensified (Orhangazi and Yeldan; 2023). For the government, positive economic growth was critical to remain in power. The AKP was already wary of how the economic downturn and the rise in unemployment during the GFC caused a significant electoral loss (Gumuscu and Sert, 2010). Therefore, lower interest rates and a steady flow of credit to households and businesses was fundamental (Bugra and Savaskan, 2014; Karacimen 2016). In this context, the government resorted to ‘domestic credit provision to SMEs, the construction sector and households’ (Karas and Donmez 2023: 199).

Before the GFC, the political contestation over interest rates was not too salient because cheaper foreign borrowing suppressed lending rates; CBRT funding rate went down to the historically lowest level of five percent (see Figure 4). Yet, the worsening international financial conditions meant a slowdown in capital inflows, and this increased the political concern over rising rates.

In response, the government mobilized domestic resources to compensate the slowdown in capital inflows with lower interest rates through the revival of the Credit Guarantee Fund. As Orban’s instrumentalization of the banking sector benefited SMEs, the Fund financed SMEs through Treasury-backed subsidized loans that were allocated through the banking sector. The size of the Fund, in nominal terms, rose from 10 billion Turkish lira (\$260 million) allocated between 1994 and 2015 to 755 billion Turkish lira (\$40.5 billion) by 2022.⁸ Still, this credit allocation⁹ was criticized by some authors in the pro-AKP media for not stimulating the long-term productive, developmental capacity, but rather financing private consumption and dollarization.¹⁰

Another round of tensions on interest rates emerged when Erdogan called for reducing interest rates in 2018 before the presidential elections.¹¹ His insistence to ‘tame inflation’ by cutting interest

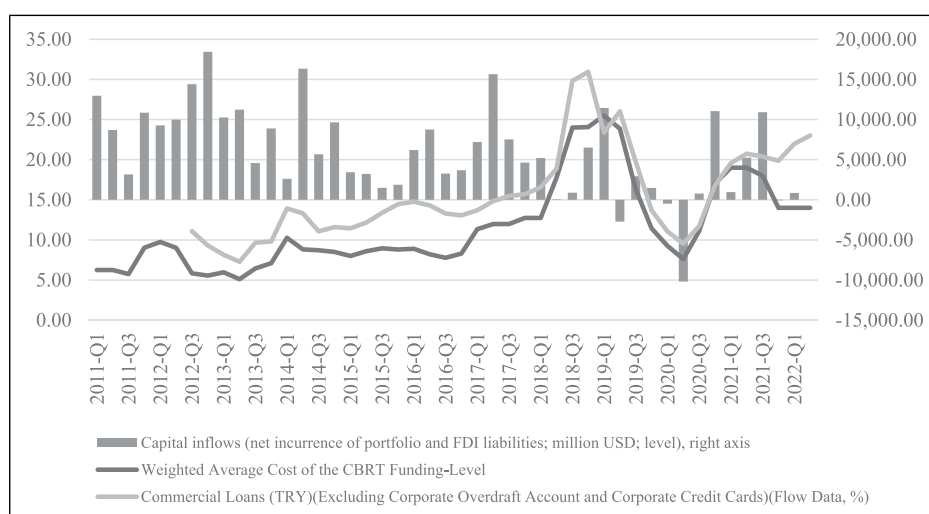


Figure 4. Capital flows and interest rates, 2011–2022. Source: EVDS, CBRT.

rates caused an outrage in financial markets¹² which overlapped with Trump's threats to 'destroy' the Turkish economy,¹³ leading to a currency crisis.

As the CBRT hiked the interest rates in response to signals from international investors (see Figure 4), Erdogan sacked the then CBRT Governor in mid-2019 on the basis of not reducing interest rates. Going further, the government shut down the offshore Turkish lira market in London,¹⁴ a critical market for banks to trade Turkish lira for long-term foreign debt.¹⁵ Yet liquidity in financial markets vanished, and capital inflows slowed down and the pressure to mobilize domestic resources to sustain Turkish growth, and thereby AKP's political survival intensified.

Instrumentalization for partisan business since 2018

Following the presidential elections in 2018, the Turkish state was restructured around a strong president who steers a centralized policy process (Aras and Yorulmazlar, 2018) and further institutionalized the centralized, hierarchical policymaking style. A senior banker noted that 'the influence of the sector has been declining since the GFC [similar to a global backlash against the banking sector around the world]. The crisis eroded our capacity to get our preferences in policies'¹⁶ (see also Coban 2020a; Coban 2020b).

Furthermore, the government captured the Banks' Association: two senior bankers noted that 'the government has deepened its control and oversight; the decisions can hardly act against [the incumbent's] preferences'.¹⁷ Tellingly, the Chair of the Association since 2011 also has been serving as the General Manager of the largest public bank. Reflecting this rise in the growing prominence of public banks, Figure 5 shows that the share of public banks in total assets has been increasing since 2013. In the words of a former senior regulator:

'public bank domination is the result of a deliberate policy decision. The government wants to steer the sector through public banks because when other banks reduce the pace of credit allocation, public banks are the key instrument'.¹⁸

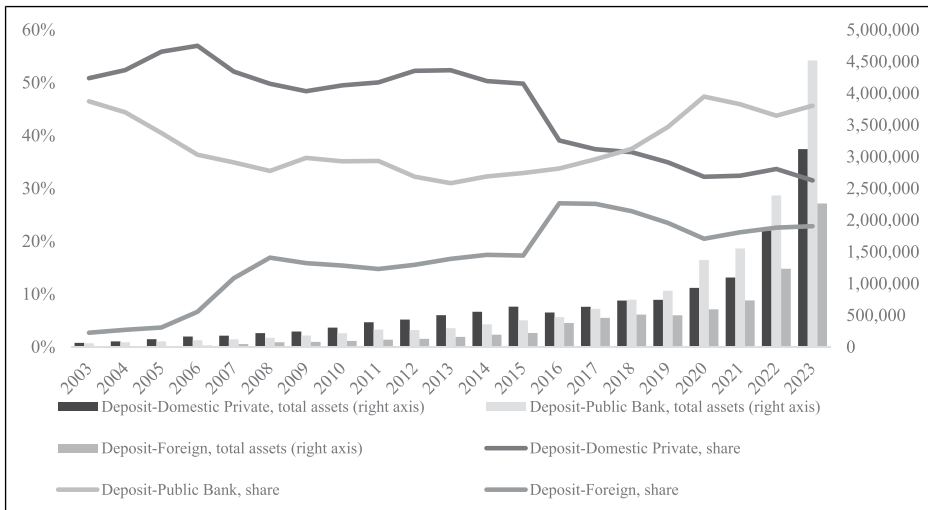


Figure 5. Banking sector total assets and the share in total assets by ownership. Source: BRSA.

Given the slowdown in capital inflows (see Figure 4), the government has implemented stricter and more frequent regulations along with verbal attacks to sustain mobilization of domestic credit sources (Apaydin and Coban 2023; Coban 2023; Senses, 2022). This process unfolded in multiple acts. In 2018, the government banned foreign currency loans to firms, in particular SMEs, which did not have foreign currency earnings.¹⁹ This was combined with a private debt restructuring framework following the currency crisis²⁰ as corporate debt reached 70% of Turkey's GDP by 2017.²¹ To address private sector foreign debt stress after 2018, the debt structuring scheme exchanged debt in foreign currency for Turkish lira. The framework primarily favoured SMEs as well as pro-AKP conglomerates.²² The re-structuring did not include conditionality on organizational or business model changes (Dancausa, 2022: 20), which demonstrates the short-term orientation of the policy to instrumentalize banks.

When the COVID-19 pandemic hit Turkey, the BRSA implemented an 'asset ratio' that forced banks to finance public budget deficit, swap foreign currency with the CBRT, and/or allocate credit to the private sector (Coban 2023).²³ Also, public banks were yet again instrumentalized to finance the credit-led growth model (World Bank, 2023; see also Figure 5) and intervene in the foreign currency market: the CBRT engaged in an undisclosed agreement with the Treasury and public banks to transfer foreign currency deposits to public banks to release foreign currency reserves, draining reserves by 128 billion US dollars.²⁴

Releasing foreign reserves by instrumentalizing public banks had two major implications. First, the CBRT socialized the cost of foreign exchange risk and corporate debt, as public sector foreign debt reached historically highest levels.²⁵ Second, the instrumentalization of public banks and the CBRT through undisclosed agreements demonstrated erosion in bureaucratic autonomy and institutional arrangements, as this process unfolded via ad hoc unwritten orders of the incumbent.²⁶

Between late 2020 and mid-2021, the CBRT hiked interest rates to stem depreciation in Turkish lira and attract capital inflows. To this end, the then CBRT Governor and an AKP veteran Naci Agbal hiked the interest rates unexpectedly by two percentage points. However, while Hungary hiked interest rate policy, Turkey reduced the rate (Karas and Donmez 2023: 209). The main reason for the divergence in interest rate policy was due to the tension within the private sector regarding interest rate policy, partisan businesses and pro-AKP media criticized Agbal's interest rate hike harshly (Coban 2023: 1049). This then translated into '[R]apid policy rate cuts, continuously demanded by Erdogan' (Karas and Donmez 2023: 209). To do so, Erdogan sacked Agbal and replaced him with another AKP politician. Sahap Kavcioglu began his term with slashing interest rates and triggering a run on the Turkish lira by late 2021. To ease the tension and to address skyrocketing inflation (Senses 2022), the government intervened via financial engineering by offering locals a foreign exchange rate guaranteed deposit account (Coban 2023).

Devaluation and lower interest rates were the symptoms of a model that favoured SMEs and exporting manufacturers, including the conglomerates, through cheap access to credit and currency devaluation (Orhangazi and Yeldan, 2023). During this period, instrumentalization of the banking sector deepened through regulatory instruments and moral suasion. For example, the then-Minister of Finance and Treasury, Nureddin Nebati, warned banks that the government attributes the utmost importance to loans to be allocated to productive sectors to boost investment, production, employment, and exports.²⁷ Thus, the BRSA and the CBRT issued public and private statements and frequent regulations and measures in line with the calls from the partisan business groups.²⁸ Meanwhile, the BRSA has been indirectly calling on individual banks to allocate credit or reduce interest rates.²⁹

Consequently, a mix of regulatory and reserves instruments led banks to allocate more credit to the manufacturing and exporting sectors, while forcing the banking sector to limit loans to households (CBRT, 2023). The CBRT warned banks on various occasions to continue to prioritize financing businesses without raising the cost of credit through non-interest fees.³⁰ These policies helped manage the tension on interest rates, control the depreciation of Turkish lira, and temporarily slow down the rise in inflation until the general elections in May 2023.

Finally, as in the case of Hungary, development banks were employed to serve both SMEs and conglomerates. After the slowdown in capital inflows and the period that followed lower interest rates, the hike in interest rates forced AKP to further instrumentalize the Eximbank. The Chair of Istanbul Chamber of Commerce stated that ‘interest rates are above 40 percent ... [the reference rates of] foreign currency loans have reached two digits ... Eximbank-backed discount loans have become life-saving for Turkish exporters’³¹; termination of credit allocation for 1 day caused fierce reaction from the private sector.³² To continue supporting the private sector, the government injected capital on multiple occasions to meet the tremendous rise in Eximbank-backed discount loans and to indirectly address the hike in commercial loan interest rates.³³ In short, with instrumentalization of commercial and development banks for cheaper access to credit helped partisan businesses to survive and maintain employment at levels that benefitted the political and economic constituency of the AKP, which in turn helped Erdogan to remain in power.

The instrumentalization of the banking sector in Hungary

By the end of the transition years in the 1990s, foreign owners from Austria, Germany, Italy, Belgium, and the USA dominated the Hungarian banking sector except the OTP, the largest retail bank (Epstein, 2017). The above 80% foreign ownership of banking assets implied more transparent and liberal market-like bank-business relations, but also a lack of historical ties between banks and domestic businesses, as foreign banks primarily served foreign corporations. In the 2000s, international banks’ headquarters in core countries, like in Germany, changed their business model from bank-based banking towards market-based banking resulting in a declining interest in bank lending to the real economy (Hardie et al., 2013). At the same time, German MNCs turned towards intrafirm finance (Braun and Deeg, 2020). These banks’ subsidiaries in Hungary retained a focus on bank lending due to very shallow and undercapitalized local capital markets and targeted SMEs and households as in the case of Turkey. This resulted in the decoupling of banks from the core of the Hungarian FDI-led growth model where the largest portion of export was produced by MNCs (Ban and Bohle, 2021).

In the early 2000s, foreign and especially Austrian banks were the leaders in a new and lucrative market making in foreign exchange (FX)-denominated mortgage loans (Bohle, 2014). When GFC hit, in October 2008, the drying up of short-term liquidity on European capital markets revealed major FX-denominated maturity mismatches on the banks’ balance sheets. As the ECB failed to take leadership under Trichet, Hungary faced not only a banking crisis but also a currency crisis with prohibitively expensive excess to the euro swaps (Piroska, 2018). Unlike their counterpart in Turkey, in 2008 October the government also ran into financing difficulty of its own public debt and turned to the IMF and the European Commission (EC) for help (Király, 2020). Between 2009 and 2010, the country plunged into a financial crisis during a political crisis as the prime minister stepped down and a caretaker government emerged.

While the GFC did not cause major disruption in the operation of banks, it negatively affected a large portion of the mortgage-owner middle-class (Bohle, 2014). Stability in the banking sector was swiftly re-established through the privatized public arena of the Vienna Initiative

(Epstein, 2014) and EC-demanded austerity measures (Piroska, 2018). However, the Vienna Initiative did not address redistributive questions in the face of large profit of foreign banks in pre-crisis years. The financially broken mortgage loan owners faced skyrocketing monthly loan repayments as they voted the Orban-government into power (Ban, 2019). As such the three key conditions under which our theory may see the emergence of authoritarian politics within a neoliberal regulatory set up, were all present in Hungary by 2010: prolonged economic crises that erode regime legitimacy, a political crisis with fragmented or polarized social blocs that hinder coalition-building, and due to Hungary's ongoing post-socialist transition, weak institutional checks and balances that enable executive overreach.

2010–2014, Orban's financial nationalist return

In 2010, the Fidesz-KDNP coalition gained two third majority in the Parliament with a mandate that not only permitted law making but also changing the constitution. The two key tenets of Orban's banking policy were political instrumentalization of the banks and gradual decoupling from global financial markets orchestrated within a laud nationalist discourse. While Orban's financial nationalism was nationalist-redistributive in some policy aspects, it was a continuation of the dominant neoliberal policies that sustained a neoliberal legal framework that further weakened democratic oversight (Piroska et al., 2021).

Hungary's subordinated position in global financial hierarchies in the aftermath of the global financial crisis presented enabling structural conditions for Orban's banking policy. First, large foreign corporations were not interested in providing political support for banks when Orban turned against them. They relied on intrafirm finance and not on local banks for their funding needs (Braun and Deeg, 2020). Second, foreign-banks' long-term time horizon made them accommodative to market repressive political control (Epstein, 2014). Third, Orban's banking nationalization program advanced amidst post-GFC global bank balance sheet restructuring that resulted in the selling off of Western banks on Eastern markets (Campbell-Verduyn et al., 2021). Finally, Orban's political strategy of decoupling from both global public regulators (IMF and EU Commission) and private debt markets, through reducing public debt and deficit levels, significantly enlarged the policy scope for fiscal and monetary policies (Ban et al., 2023; Johnson and Barnes, 2015). Once the Fed started lowering interest rates, the Orban regime could channel cheap credit to households and SMEs.

As in the case of Erdogan's Turkey, the inherited neoliberal-state apparatus enabled Orban's authoritarian pursuit in banking as it capitalized on the central bank's independence and a weak legislative branch (Johnson, 2016; Khakee, 2003). MNB skillfully turned the legal shield designed to protect the central bank from the government towards its critics from the media, civil society, opposition parties, academia, and others. Just like Erdogan, Orban government's executive power reduced the legislative to a legitimating tool, as the disciplined two third majority introduced any legal changes to banking deemed necessary by the executive.

As in Turkey, the instrumentalization of the banking sector started in full swing in 2013, when Orban's political ally, Matolcsy, became the governor of the central bank. The MNB introduced a very low-interest rate that catered for the interest of the export sector and MNCs, primarily German car manufacturers (Ban and Adascalitei, 2022). Moreover, small capital owners were also favourably treated with the central bank's Funding for Growth (FfG) program through which commercial banks provided them zero interest rate credits (Piroska, 2022). At the same time, the central bank amassed a lot of new functions as it became the bank supervisory authority, the macroprudential regulator, the consumer protecting agency, the owner of the Budapest Stock Exchange, fintech regulator, controller of a large real estate portfolio, and the owner of specialized

Foundations that controlled a sum around 4% of the GDP (Sebők, 2018). Through corruption, part of MNB funds enriched Orban-connected businesses. Thus, the MNB targeted large and small capital owners, Orban's key social bloc.

Echoing Erdogan, the Hungarian government's interventions through banking targeted Orban's social bloc too. Orban government's banking policy was markedly more redistributive than his predecessors, however, it was carried out in the context of extensive weakening of rule of law (Pech and Scheppelle, 2017). At the same time, banking and finance related measures also weakened democratic control over banking, sidelined dissenters, dismantled the channels of democratic bargaining, interest group representation, etc. (Karas, 2022; Piroška, 2022). As such banks were instrumentalized to fulfil the authoritarian consolidation through domestic control of finance to maintain and nurture political support. However, these attempts failed to induce growth through bank lending, where the GDP growth was dependent on European export markets that were under duress due to GFC between 2010 and 2014 (see Figure 7).

2014 to COVID crisis in 2020 – A failed developmental attempt

In 2014 summer, after the elections, Orban declared his intention to build an illiberal state. For banking, it meant a strengthened banking nationalist position vis-à-vis the EU, currency autonomy with domination of Hungarian forint in bank lending and turning public debt financing from foreign markets to domestic sources. The continued financial decoupling enlarged the Orban government's scope for instrumentalizing banking for development that, however, failed to achieve targeted developmental impact. While the FDI-led growth model remained unaltered, instrumentalized banks made the Orban regime's social bloc wealthier but also politically more controlled.

In 2014, with the introduction of the Banking Union (BU), EU bank regulation underwent major changes (Benczes, 2020; Howarth and Quaglia, 2016) that the Orban government preferred to abstain from. The BU's legal set up did not fully respect Hungary's and other foreign-bank dominated CEE's interests (Méró and Piroška, 2016). Staying outside the BU granted autonomy to Hungarian policymakers in key areas such as bank authorization (the right to permit new banks to operate), bank restructuring, and banking supervision. Thus, the Orban government doubled down on a currency decoupling strategy from global hierarchies and global capital markets (Ban and Bohle, 2021). Through a series of legislation, most banking sector assets in foreign currencies were converted to HUF by 2015 (Nagy, 2017).³⁴ As Erdogan exchanged foreign currency-denominated debt with Turkish lira, foreign currency lending in Hungary has practically disappeared for households, but still continued to exist for corporations.³⁵ In addition, funding public debt and deficit shifted from global capital markets to domestic banks and households.³⁶ Shielded by the liberal central bank law from public scrutiny, the central bank became a key politically driven developmental actor. To that end, the central bank continued enlarging its scope of mandate, enabled by new EU regulations, CRR/CRD, as it became the national designated authority for bank restructuring.

Similar to CBRT under Erdogan's control, MNB continued to keep a very low-interest rate to support the export sector and the MNCs. MNB's flagship development banking program, the Funding for Growth (FfG),³⁷ continued to serve SMEs. Until 2021, around 75 000 SMEs received subsidized loans. Low interest rate and FfG had a positive impact on growth, but they have not altered the FDI-led growth model, which started to exhaust its growth engines. However, the MNB's other attempts to generate development have failed. To list a few, in 2013, the MNB founded 6 specialized Foundations with grandiose developmental goals in higher education, real estate market, and financial investments. After a series of political and corruption scandals, these were downsized, showing a failure in achieving designated goals (Piroška, 2022). In 2019, it also

launched the Bond Funding for Growth program that aimed at revitalizing the Budapest stock-exchange in the context of the EU's Capital Markets Union.³⁸ The program provided funding for security-issuing large Hungarian firms and MNCs, nevertheless it failed to achieve its aim to revitalize the security markets and were thus terminated by MNB (Piroska and Epstein 2023). The MNB also established a Fintech Innovation Hub, which failed to upgrade the fintech ecosystem. In 2021, the MNB-mandate changed to include sustainability targets, however, green lending has not picked up in Hungary.

MNB was also active in changing the ownership structure of Hungarian banking sector. The process of bank purchase, restructuring, and privatization to Orban's business allies was marred by corruption and its rule of law violation is well documented by (Oellerich, 2022; Piroska and Epstein, 2023; Sebők and Simons, 2022); (see results in Figure 6). However, the new domestically controlled banks do not report radically different lending practices from all the other banks (Várhegyi, 2023).

Not only the central bank, but the government through its oversized executive power also aimed at achieving targets through the instrumentalized banks. Two loan programs stand out, both providing subsidized credit through commercial banks to Orban's social bloc, a few wealthy businesses and selected segments of the middle-class. The first program, Szechenyi Creditcard Program, targets SMEs with subsidized credit in a large variety of sectors and for a variety of purposes including investment, EU loans' self-financing tranches, across all regions, both in the forms of loans and guarantees.³⁹ While SMEs enjoyed easy access to credit, no major upgrading within the value chains occurred in their ranks (Gáspár et al., 2023).

The second loan program aimed at instrumentalizing banks to increase fertility rates through subsidized mortgages targeting middle-class families (CSOK). Introduced in 2016 as a government decree, it was designed intentionally to exclude poor families. Part of a broader neoliberal pronatalist policy, CSOK instrumentalizes the banking sector to target middle class, married, heterosexual couples in the form of a non-refundable grant of HUF 10 million, and a subsidized HUF 10 million loan. The grant and the loan's repayment policy accept the birth of a child as repayment service, effectively equating the worth of a newborn to debt service. CSOK exposes women to vulnerable situations: some are unable to leave a difficult marriage because of the punitive interest rate.⁴⁰ As a developmental tool, this policy was

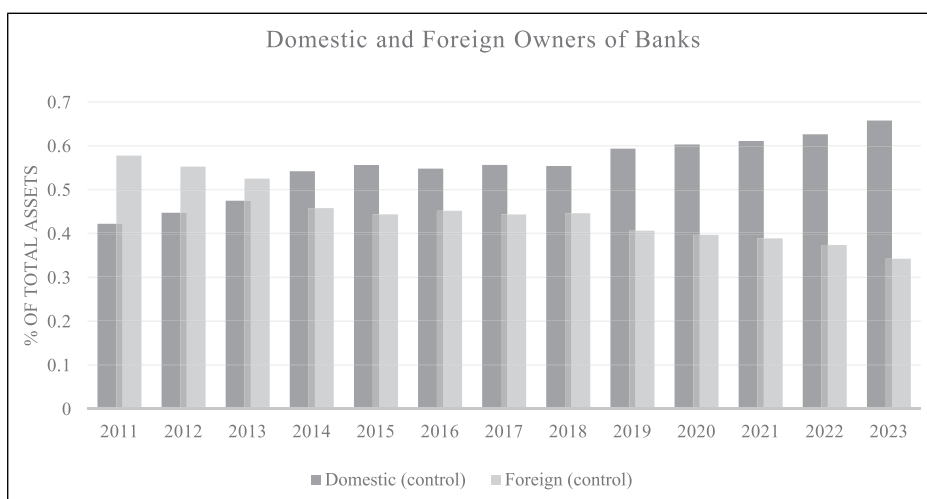


Figure 6. Composition of assets by the strategic owner of the credit institution.

largely ineffective given the structural constraints of dramatic decrease of fertile women due to the EU open labour market and demographic decline. Although fertility rate increased from 1.49 in 2016 to 1.59 in 2021 to 1.51 in 2022, number of births decreased by 18%.⁴¹

Finally, publicly owned small development banks have been instrumentalized to primarily serve the members of Orban's social bloc. While development banking is not part of a neoliberal toolkit in general, Orban's instrumentalization follows a neoliberal authoritarian logic: none of the banks were used to promote large-scale infrastructure upgrading or structural transformation projects. Instead, they were employed for specific short-term goals under strict government control. Magyar Fejlesztési Bank (MFB) was instrumental to increase domestic ownership in banking and large strategic enterprises (Takarekbank, Budapest Bank, 'Utility reduction' campaign). In addition, since 2016, the MFB channelled EU funds to SMEs (GINOP and VEKOP) through a country-wide sales network (MFB Points) established in Orban allies-owned banks. Over time, Eximbank, with better political connections outgrew MFB in importance. In 2012, its lending portfolio was enlarged, in 2014 a new law on Eximbank was established that allowed it to grant credit and invest in non-export related activities of political allies. Eximbank has also become the government's favoured tool to allocate European Investment Bank funding, thus channeling EU funds to Orban-related businesses (Piroska and Mérő, 2021).

While instrumentalization of banking achieved its purpose of growth promotion within an authoritarian context with limited targets, no structural change or developmental transformation occurred. The key tenets of the FDI-dependent growth regime have not changed and as the COVID crisis revealed both public finances as well as monetary stability remained vulnerable to global financial processes. Figure 7 shows that with relatively high credit to GDP levels in the period 2010 and 2014, GDP growth rate remained sluggish, indicating that GDP growth in Hungary was more a function of global and European markets than access to credit at home.

The COVID crisis until 2024 – banks instrumentalized for fiscal purposes

Just like in Turkey, the COVID pandemic, the subsequent economic slowdown and the war in Ukraine caused significant budgetary imbalance for the first time since 2010 for Orban. To manage

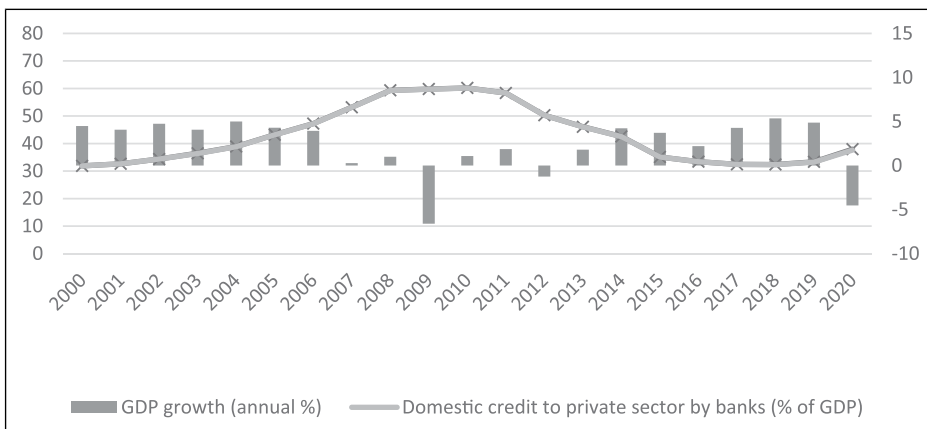


Figure 7. Bank lending and GDP growth, Hungary.

the crisis, authoritarian rule was strengthened. Since March 2020, the Orban government partially operates under a ‘state of emergency’.⁴²

In 2023, all commercial banks in Hungary regardless of ownership are under political control for the management of credit circuit. First, banks (foreign and domestic) manage one of the largest portions of government debt and realize important profit through interest.⁴³ However, channeling savings to government bonds is not a market decision of banks. Instead, it is a result of the numerous government decrees that directs savings from bank accounts and investment funds to government bonds. For example, a government decree ruled that banks can reduce their 2024 windfall tax payments by up to 50% if they increase their Hungarian government bond purchases. In addition, the government has effectively made it mandatory for bond funds, equity funds, and mixed funds to allocate a portion of their portfolios to Hungarian government bonds. These funds must hold at least 20% of their liquid assets in discount government bonds.⁴⁴ Moreover, banks are required to inform all bank account holders and show calculations regarding earnings differences should they have chosen to keep their savings in government bonds as opposed to a bank account.⁴⁵ Another government decree ruled that a 13% social tax must be paid on interest income derived from all security instruments except government bonds. The result is that households and domestic banks finance the largest portion of government debt.

As for bank loans and their interest rates, the Orban government controlled them too, as it designed and financed preferential credit schemes to dominate bank lending. The banks participated within the subsidized credit schemes with limited agency for the allocation of credit. They eagerly played the role of a transmitter because they enjoyed a steady stream of de-risked loans. The government subsidized loans came with capital guarantee, a guarantee of repayment, guarantee of profit margin. Thus, while this was rather an unusual market activity for banks, they were interested in helping the government to increase the amount of loans. The banking sector total loan portfolio more than doubled from 2016 21,52 bn HUF to 2023 47.8 bn HUF. The share of subsidized loans among the outstanding loans of non-financial corporations rose from 13% in 2019 to 32% by the end of 2022.⁴⁶ At the same time, the MNB, with opposing policy goals, aimed at reducing liquidity and offered the banks steady revenues in return for placing their excess liquidity at the central bank at a high interest rate.⁴⁷ Between the end of 2019 and 2021 the size of the central bank balance sheet nearly doubled from 26% to 47.8% of GDP. That the developmental impact of banks’ instrumentalization was minimal is well understood by the Orban government as well. Since the COVID pandemic it has actively turned to manage FDI in the face of withheld EU funding due to rule of law concerns, with questionable developmental impact (Györffy, 2022).

Conclusion

This paper has explored the instrumentalization of the banking sector in authoritarian regimes with empirical evidence from Hungary and Turkey, where different modes of integration into the international financial system and the preferences of the dominant social bloc led to distinct trajectories of instrumentalization of the banking sector. While in Hungary, where FDI, and not banks, plays a critical role in economic growth, banks were instrumentalized under an authoritarian regime to compensate for austerity measures, Turkey’s experience under short-term capital cycles has led to the instrumentalization of banks to sustain cheaper access to credit for growth and thereby maintain political support for the incumbent. As Orban and Erdogan unrolled these distinct modes of intervention, they both had a similar goal to consolidate the dominant social bloc support for the survival of their respective authoritarian regime.

The outcome of two different modes of instrumentalization is driven by the position and the role of the banking sector under respective growth models, as well as the international and regional financial market conditions. First, the Hungarian banks have not been in a systemically critical position to finance the FDI-led growth given the availability of intra-firm financing channels; whereas the Turkish banks constitute the backbone of the local financial system that support the majority of domestic businesses, especially the SMEs. Furthermore, when the EU-enforced austerity hit the political constituency, Orban opted to exert greater control over banks' credit distribution to circumvent these constraints. While Turkey is not bound by the EU fiscal rules, the country's growing dependence on capital inflows pushed Erdogan to exert greater political control over the banking sector to mobilize domestic credit to maintain business support for his rule.

These conclusions further advance the debate on the politics of growth models (Baccaro and Pontusson, 2022) with a focus on the relationship between politics and banking in emerging capitalist economies. Authoritarian regimes' long-term growth and stability are closely related to diverse forms of neoliberal control over main financial intermediaries. Markets rarely punish authoritarian regimes for a lack of democratic commitment. Aware of this, both leaders in Hungary and Turkey prioritized the economic interests of their core constituencies when the limitations imposed by global market volatilities threatened the stability of the regime.

Moreover, this comparison suggests that ECEs that depend on capital inflows for growth face unique political risks, not only for investors but also for their residents' rights. Dependence on external finance exacerbates economic volatility, as sudden stops or reversals in capital flows can lead to severe crises. These crises often destabilize political order, creating opportunities for authoritarian takeovers as leaders exploit economic insecurity to consolidate power. Beyond Hungary and Turkey, Malaysia during the 1997 Asian Financial Crisis exemplifies how financial turmoil allowed Mahathir Mohamad to centralize authority, curbing dissent under the guise of stabilizing the economy. Similarly, in Tunisia and Egypt, the dependency on external financing and the inability to shield their economies from global volatilities eroded public trust in political institutions, facilitating the return of authoritarian governments after the Arab Spring. These cases illustrate a broader trend: the structural vulnerabilities of economies that predominantly rely on external capital for growth create conditions ripe for authoritarian takeover with neoliberal undertones, as political elites use economic crises to justify restrictions on rights and concentrate power in the name of economic recovery and stability.

A further implication of our findings highlights the relative position of the banking sector in international financial markets as a significant factor. This perspective further contributes to existing debates on growth models by bringing a comparative angle to the study of the interaction between domestic and international market dynamics. In the context of ECEs, the linkages between the domestic and international banking systems and the financial structures have serious implications on long-term growth, with a non-negligible impact on the political regime trajectories.

At the same time, instrumentalization can take different forms: Massoc's (2021) study on the impact of (lack of) long-term coordination between banks and governments in Europe, as well as Betu and Pond's (2023) study on governments skewing the public debt market by relying on their regulatory and borrower roles show that there are diverse practices that are increasingly becoming prevalent under late-neoliberalism. Together with these works, our study opens new paths for future research to unpack the political dynamics behind these processes. Moreover, the Hungarian and Turkish experiences provide insights to the current debate on the interaction between authoritarian regimes and business (Feldmann and Morgan, 2023). While our research problematizes the ties between authoritarian regimes and business, it would be useful to unpack the network effects and better understand the relationship between social blocs, political actors, and international financial system. This would also provide important insights for the generalizability of the findings as well.

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ORCID iDs

Fulya Apaydin  <https://orcid.org/0000-0001-7208-5857>

M. Kerem Coban  <https://orcid.org/0000-0003-3226-6340>

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Notes

1. Autocratization ‘covers both sudden breakdowns of democracy...and gradual processes within and outside of democratic regimes where democratic traits decline’ (Luehrmann and Lindberg, 2019: 1099).
2. Authoritarian neoliberalism refers to a set of contradictory policy measures on ‘how contemporary capitalism is governed in a way which tends to reinforce and rely upon practices that seek to marginalize, discipline and control dissenting social groups and oppositional politics rather than strive for their explicit consent or co-optation’ (Bruff and Tansel, 2019: 234).
3. Social blocs are understood as dynamic coalitions of societal groups – such as economic elites, middle and working classes, labor unions, and political organizations – that align with a regime based on shared interests and material benefits (Amable and Palombarini, 2023: 944).
4. Interview, R1, Istanbul, 19 February 2016. See the Appendix.
5. Interview, R5, Ankara, 11 January 2016. See the Appendix.
6. Interview, B15, Istanbul, 16 February 2016. See the Appendix.
7. Interview, CB1, Ankara, 22 January 2016. See the Appendix.
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Appendix

List of anonymized interviewees

Senior bank regulator, R1, Banking Regulation and Supervision Agency, Istanbul, 19 February 2016

Senior bank regulator, R5, Banking Regulation and Supervision Agency, Ankara, 11 January 2016

Senior banker, B15, Istanbul, 16 February 2016

Senior central banker, CB1, Central Bank of the Republic of Turkey, Ankara, 22 January 2016

Senior banker, B9, Istanbul, 4 March 2016

Senior banker, B3, Istanbul, 1 March 2016

Senior banker, B11, The Banks' Association of Turkey, Istanbul, 5 April 2022

Senior banker, B12, The Banks' Association of Turkey, Istanbul, 5 April 2022

Senior regulator, R8, Banking Regulation and Supervision Agency, Ankara, 28 March 2023

Senior banker, B5, Istanbul, 17 January 2020

Senior central banker, Central Bank of the Republic of Turkey, CB11, Ankara, 5 April 2022

Senior banker, B2, Istanbul, 9 January 2020